

# **Federal Budget Outlook: The Challenges We Face**

## ***The Time to Act is Now***

*Our House majority has repeatedly proven capable of offering positive solutions to our nation's toughest challenges. There is no greater threat to our national security and our fiscal stability than the federal budget outlook. Rising deficits, debt, and looming insolvencies of federal trust funds threaten the livelihood of our nation's citizens. Failure to address these challenges now will only result in even more necessary and drastic actions in the future. The status quo is unacceptable.*

**Declining Economic Growth:** Since 1950, annual GDP growth has averaged 3.3 percent, since 2009 it has been 1.1 percent. CBO is projecting annual GDP growth at just 2.5 percent over the next ten years.

**Debt & the Economy:** Federal debt held by the public is expected to reach 74 percent of GDP by the end of 2014 and 111 percent of GDP by 2039. This would exceed the peak set during World War II.

**Rise of Foreign Holdings:** Nearly half of federal debt held by the public is foreign holdings, with China being the largest holder followed by Japan.

**Spending & the Economy:** Over the past 40 years, federal spending has averaged 20.5 percent of GDP. From 2009 to 2013, average federal spending was 22.8 percent of GDP. Under current projections, federal spending is expected to rise to 26 percent of GDP by 2039.

**Revenue & the Economy:** Over the past 40 years, revenues have averaged 17.4 percent of GDP. In 2039, total federal revenue is projected to be 19.4 percent of GDP. Over the next ten years, CBO projects the Treasury will take in more nominal tax receipts than ever before in our nation's history. On average, Treasury will take a bigger share out of the economy than ever before in our nation's history.

**Crowding Out:** By 2040, total spending on health, social security and interest payments alone is projected to be 20.5 percent of GDP. These three outlays alone will account for more than the total revenue the federal government takes in. At current tax levels there will be NO revenue left for any other federal spending – none.

**Rise of Interest Payments:** In 2013, the United States paid \$221 billion in net interest payments. It is projected that nominal interest payments for 2024 will be \$799 billion, and the United States will spend \$5.8 trillion alone in interest payments from 2015 to 2024. These payments do not benefit anyone and will only crowd out investment in other vital programs.

**Rise of Interest Rates:** If interest rates rise one percentage point higher than CBO's estimate over 2014 through 2024, payment on net interest will increase the deficit by \$1.5 trillion over the next ten years.

**Future of Medicare's Finances:** The trust fund for the Medicare Hospital Insurance (HI) program will be depleted by 2030. If we do nothing, HI dedicated revenues will only cover 85 percent of HI costs, thereby breaking our promise to all seniors.

**Future of Social Security's Finances:** The combined trust fund reserves for Social Security will be depleted by 2033 with the trust fund for the Social Security Disability Insurance (DI) program being depleted by 2016. If nothing is done, 20 percent automatic reductions in DI payments to beneficiaries will happen in just two years.

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**FROM THE DESK OF REP. TOM PRICE, M.D.  
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